

**TRANSMITTAL AND NOTICE OF APPROVAL OF
STATE PLAN MATERIAL
FOR: HEALTH CARE FINANCING ADMINISTRATION**

1. TRANSMITTAL NUMBER:

0 2 - C 0 7

2. STATE:

SOUTH DAKOTA

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)

TO: REGIONAL ADMINISTRATOR
HEALTH CARE FINANCING ADMINISTRATION
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE

October 1, 2002

5. TYPE OF PLAN MATERIAL (Check One):

☐ NEW STATE PLAN☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN☒ AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)

6. FEDERAL STATUTE/REGULATION CITATION:

42 CFR § 447.272

7. FEDERAL BUDGET IMPACT:

a. FFY 2005 \$(30,000,000)

b. FFY 2004 \$(30,000,000)

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

Attachment 4.19-D, pages 16 & 17..

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable):

Attachment 4.19-D, pages 16 & 17.

10. SUBJECT OF AMENDMENT:

To amend South Dakota's State plan for nursing facilities, to comply with Federal regulations that implemented transition periods for upper payment limits for inpatient facilities.

11. GOVERNOR'S REVIEW (Check One):

☒ GOVERNOR'S OFFICE REPORTED NO COMMENT☐ OTHER, AS SPECIFIED:☐ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED☐ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

12. SIGNATURE OF STATE AGENCY OFFICIAL:

13. TYPED NAME:

JAMES W. ELLENBECKER

14. TITLE:

SECRETARY

15. DATE SUBMITTED:

12/11/02

16. RETURN TO:

Department of Social Services
Office of Medical Services
700 Governors Drive
Pierre, SD 57501-2291

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED

12/11/02

18. DATE APPROVED

2/26/03

PLAN APPROVED - ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL

10/1/02

21. TYPED NAME:

CHARLENE BROWN

20. SIGNATURE OF REGIONAL OFFICIAL

22. TITLE:

Deputy Director, CMSC

23. REMARKS:

Section E – Political Subdivision Funding Pool

1. **Government Nursing Facility Funding Pool.** A government nursing facility funding pool is created to increase payment to nursing facilities that are owned by political subdivisions of the state (non-state government-owned or operated) in proportion to their share of Medicaid days provided during the rate year. The pool is created subject to the payment limits of 42 CFR §447.272 (Application of Upper Payment Limits – payments may not exceed the amount that can reasonably be estimated to be paid under Medicare payment principles).
2. **Annual Computation of the Funding Pool:** In summary, every non-state government-owned or operated nursing facility's Medicaid rate, per case mix classification, is compared to the calculated Medicare upper payment rate applicable to the same period for the same population. The difference between the Medicaid rate payment and the Medicare upper payment rate is then multiplied by the number of Medicaid days for the period, per non-state government-owned or operated nursing facility. The product is then summed for all non-state government-owned or operated nursing facilities with the total establishing the maximum funding pool which can be paid. The pool calculation formula is as follows:
 - a. **Medicaid Average Payment.** On a facility specific basis the department will determine the average payment to a non-state government-owned or operated nursing facility for the period. This will be a calculated payment rate determined by multiplying the number of total Medicaid days paid in each long-term care RUG case-mix classification times the facility average Medicaid per diem rate (to include unbundled ancillary services), for the period.
 - b. **Medicare Estimated Upper Payment Rate.** In accordance with 42 CFR §447.272, the department will calculate the Medicare upper payment rate for non-state government-owned or operated long-term care nursing facilities in South Dakota. The calculation will use federal reimbursement guidelines, per 42 CFR §447.272.
 - c. **Case-Mix RUG's Crosswalk.** The department will develop a Case-Mix RUG's (Resource Utilization Group) crosswalk between the South Dakota Long-Term Care Case-Mix RUG categories and the Federal Case-Mix RUG categories to establish an objective classification of similar populations. The crosswalk will be utilized in the comparison of the Medicaid payment and the calculated Medicare upper payment limit.

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- d. Funding Pool. The total difference calculated between the Medicaid average payment made and the calculated Medicare upper payment rate will create the funding pool.
3. Distribution of Funding Pool. Under the terms of South Dakota Codified Law, Chapter 28, each nursing facility owned by a political subdivision (non-state government owned or operated) is paid a portion of the funding pool. The amount of distribution is based on the ratio of the facility's Medicaid days to the total Medicaid days for all non-state government-owned or operated nursing facilities. .
4. Effective Date of the Government Funding Pool. The effective date of the government funding pool is established in accordance 42 CFR §447.256 (c) to be February 27, 2000. Effective for SFY 2001 and each year thereafter, subject to the payment limits of 42 CFR §447.272, the department will calculate the funding pool for the period and make distribution in accordance with the plan provisions.

TN #02-007
TN #00-009

APPROVAL DATE FEB 26 2003
EFFECTIVEDATE 10/01/02